

CHAPTER 14
DEPOSIT AND SECURITY OF PUBLIC FUNDS IN CREDIT UNIONS

781—14.1(12C) Scope and transition.

14.1(1) Iowa Code chapter 12C grants authority to the treasurer of state to establish administrative rules and procedures to implement a system for securing deposits of public funds in banks, savings and loans and credit unions. This chapter contains rules which shall apply to the system for securing deposits of public funds in credit unions. Rules pertaining to securing public funds in savings and loans or federal savings banks are contained in 781—Chapter 3. Rules pertaining to the securing of public funds in banks are contained in 781—Chapter 13.

14.1(2) A credit union shall secure its existing uninsured public funds deposits through the use of a letter of credit as required in this chapter by March 31, 1993. Any new deposits by a public unit in a credit union after February 15, 1993, shall be secured according to the requirements of these rules.

781—14.2(12C) Definitions. As used in this chapter:

“*Credit union*” means a credit union as defined in Iowa Code subsection 12C.1(2).

“*Letter of credit*” means an irrevocable, nontransferable, standby letter of credit (Form 655-0195) issued directly to the public unit by the U.S. Central Credit Union.

“*Public units.*” The state of Iowa, its cities, counties, school districts and all other political subdivisions of the state are public units under this chapter including but not limited to the following entities:

1. Cities.
2. Transit authorities.
3. Municipal utilities, including jointly owned.
4. Public libraries, city and regional.
5. Municipal housing programs.
6. Solid waste agencies.
7. Waterworks.
8. City cemeteries.
9. County offices including treasurers, recorders, clerks of court, sheriffs and auditors.
10. Townships.
11. County fair boards.
12. Regional planning agencies.
13. County care facilities.
14. County hospitals.
15. County conservation boards.
16. Sanitary districts.
17. Treasurer of state.
18. Iowa beer and liquor control department.
19. Iowa department of transportation.
20. Judicial district department of correctional services.
21. Iowa finance authority.
22. Iowa family farm development authority.
23. Iowa railway finance authority.
24. State board of regents.
25. State fair board.
26. State commerce commission.
27. State racing commission.
28. Iowa college aid commission.
29. Iowa higher education loan authority.
30. School districts.

31. Area education agencies.
32. Community action programs.
33. Community colleges.

Federal agencies, or political subdivisions thereof, are not public units under this chapter. Cooperatives, police and fire pension funds deposited for the benefit of the beneficiaries and fully covered by federal insurance, and bond sinking funds deposited pursuant to a bond covenant and which are fully covered by federal insurance are not public units.

“*Treasurer*” as used in this chapter shall mean the treasurer of the state of Iowa.

“*Uninsured public funds*” or “*uninsured public deposits*” means the funds of a public unit deposited in a credit union which are not federally insured, together with any accrued interest thereon.

781—14.3(12C) Forms. The following forms shall be utilized by credit unions in connection with the operation of this chapter:

1. (Form 655-0195) Letter of Credit.
2. (Form 655-0204) Deposit Agreement.

781—14.4(12C) Uninsured public deposits in credit unions. Uninsured public deposits in a credit union shall be secured by a letter of credit (Form 655-0195) and a deposit agreement (Form 655-0204) between the public unit and the credit union. The credit union will only be allowed to aggregate funds deposited by the same public unit. Prior to accepting an uninsured public deposit, a credit union must secure the deposit according to requirements contained in this chapter.

781—14.5(12C) Securing uninsured public deposits in credit unions using a letter of credit.

14.5(1) A credit union shall secure the uninsured public time deposits of a public unit with a letter of credit as defined in these rules and Iowa Code section 12C.16.

14.5(2) The public unit shall have in its possession prior to or simultaneously at the time of deposit of uninsured public deposits, a letter of credit issued by the U.S. Central Credit Union to the public unit in an amount that is not less than 110 percent of the amount of public funds deposits to be secured thereby. The letter of credit shall have an expiration date which is at least ten business days later than the maturity date of the time deposit.

14.5(3) The public unit shall keep the letter of credit in a vault or a safe deposit box in a financial institution other than the credit union until such time as the letter of credit expires or is presented for payment to the U.S. Central Credit Union.

14.5(4) In the event that the public unit decides to extend the maturity of its deposit after the issuance of the letter of credit, the public unit shall obtain a new letter of credit from the U.S. Central Credit Union that taking into account the extended maturity date of the time deposit and the amount of the time deposit complies with the requirement of subrule 14.7(2). The new letter of credit must be obtained by the public unit prior to the original maturity date of the deposit.

14.5(5) If the credit rating of U.S. Central Credit Union is lowered to a rating not within the two highest classifications of prime as established by at least one of the standard rating services approved by the superintendent of banking by rule pursuant to Iowa Code chapter 17A, then U.S. Central Credit Union shall immediately notify each credit union which is securing uninsured public deposits by use of a letter of credit issued by U.S. Central Credit Union and the treasurer. Each credit union, upon notification of the U.S. Central Credit Union downgrade, shall immediately return the deposits, with interest accrued to that date, to the public units which are secured by a letter of credit.

781—14.6(12C) Termination of credit union’s federal insurance. In the event that a credit union’s applicable federal deposit insurance is suspended or terminated, the credit union must notify the public unit immediately and shall immediately return all deposits to the public unit with accrued interest.

781—14.7(12C) Sale or merger of a credit union. The responsibility of a credit union to secure public deposits by a letter of credit shall not be altered by any merger, takeover or acquisition, except to the extent that such duty is assumed by the successor entity. A credit union shall immediately notify the public unit, in writing, of its merger, takeover or acquisition by a successor entity.

781—14.8(12C) Procedures upon default.

14.8(1) The acceptance of public funds by a credit union constitutes consent by the credit union to assessments to cover losses of public funds in other credit unions by the treasurer in accordance with Iowa Code section 12C.23 and the rules contained in this chapter.

14.8(2) The treasurer, upon notification from a public unit that a public unit has not been completely repaid its principal and interest for a deposit and that funds are not available from a letter of credit securing such deposit, the treasurer shall assess all credit unions in the state with public deposits as provided in Iowa Code section 12C.23.

14.8(3) A credit union and any security given for the public funds in its possession are liable for payment if the credit union fails to pay a check, draft, or warrant drawn by the public officer or to account for a check, draft, warrant, order or certificates of deposit, or any public funds entrusted to it if in failing to pay the credit union acts contrary to the terms of an agreement between the credit union and the public body treasurer or, if the credit union fails to pay an assessment, by the treasurer of state, when due.

These rules are intended to implement Iowa Code chapter 12C.

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